

American Banker

The Daily Financial Services

VOL. CLII NO. 133

Thursday, July 9, 1987

155389C00015 8/15/05 C11
STATISTICAL REFERENCE INDEX
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Year

TODAY

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Russell Anspach, a principal of Anspach Grossman Portugal [Page 1]

Unquote

US-British Capital Plan Worries mortgage bankers

Industry Predicts Proposal Would Boost Rates on Home Loans, Hurt Servicers

By JIM McTAGUE
Washington Bureau

WASHINGTON — The mortgage banking industry has warned regulators that a proposal to tie capital requirements to the riskiness of a bank's assets would boost mortgage rates and disrupt the home-lending market.

The plan, jointly proposed by U.S. and British regulators and expected to be approved, could also drive some commercial banks out of the mortgage-servicing business by preventing them from counting newly purchased servicing portfolios as assets in determining their capital levels, according to comments filed with the Federal Reserve Board.

Some observers contended that the risk-based capital guidelines would fa-

vor mortgage-backed securities issued by the Government National Mortgage Association (Ginnie Mae) because those issues are explicitly guaranteed by the government. That might prompt banks to sell off their holdings of securities issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corp. (Freddie Mac), leading to an increase in mortgage rates, the observers maintained.

However, Federal Reserve Board chairman Paul A. Volcker has played down the mortgage industry's concerns.

Under the plan, Ginnie Mae securities would be considered twice as safe

as similar issues of Fannie Mae and Freddie Mac because those securities are not explicitly guaranteed by the federal government.

Thus, if the new rules were to go into effect, a bank would require less capital to invest in a Ginnie Mae portfolio than it would to invest in an identical portfolio of Freddie Mac and Fannie Mae securities.

"One of our main concerns is that bankers may begin to unload Freddie Mac and Fannie Mae securities because of the plan," Michael Taliefero, director of financial affiliates for the Mortgage Bankers Association of America, said in an interview.

Risk: Page 11 ➡

Financial Companies Changed Names At a Record Pace in First Half of Year

By JEFFREY KUTLER

NEW YORK — More corporations changed their names in the first half of 1987 than in any prior six-month period, and almost a third of the name changers were financial service companies.

Anspach Grossman Portugal Inc., the consulting firm that compiled the data, said that mergers and acquisitions, divestitures, and deregulation spurred the statistic to new heights. These trends are especially pronounced in the banking industry.

"The rate of increase is so great as to be almost epidemic," said Russell Anspach, a principal of Anspach Grossman Portugal, which monitors the market as part of its corporate identity consulting business.

The New York-based company's semiannual survey turned up 919 new identities, 272 of which were for finan-

cial institutions. These consisted of 120 commercial banks, 65 thrift institutions, and 87 other financial service organizations.

The commercial banking total was 58% higher than the 76 bank name changes in the first half of 1986. The banks kept pace with the 59% increase for all corporations, but thrift institutions (23%) and other financial institutions (10%) did not.

A majority of the changes, in financial services and other industries, were prompted by mergers or acquisitions. Of the new commercial bank names, 102, or 85%, were brought about by such transactions. Fifty-six of them were voluntary, and 46 were assisted by the Federal Deposit Insurance Corp.

Only six bank name changes were

Financial: Page 10 ➡

Wall Names Five To Key Positions With Bank Board

By JIM McTAGUE
Washington Bureau

WASHINGTON — M. Danny Wall, the new chairman of the Federal Home Loan Bank Board, announced five major staff changes at the agency on Wednesday.

It was his first official action since taking office July 1. Mr. Wall also established an executive committee designed to accommodate a 50% increase in the Bank Board staff. Congress authorized the Bank Board earlier this year to budget 400 new positions.

Mr. Wall named James E. Boland Jr. executive director of the Bank Board. This position was previously held by Shannon Ann Fairbanks, an appointee of former Bank Board chairman Edwin J. Gray.

Mr. Boland had served as general counsel to the Senate Banking Committee's Republican staff. Mr. Wall had been Republican chief of staff on the same committee. Since July 1, Mr. Boland has been coordinating the Bank Board's transition from Mr. Gray's leadership to that of Mr. Wall.

Mr. Wall also named Jordan Luke to the general counsel's post, which had been occupied on an acting basis by Harry Quillian. Mr. Luke comes to the Bank Board from the Office of the Comptroller of the Currency, where he has been a deputy chief counsel since 1984.

Karl T. Hoyle was named director of public affairs, a post now held by Patrick McKelvey.

Mr. Hoyle had been executive vice president of government affairs for the Credit Union National Association, a trade group. Earlier, he was a lobbyist for the Independent Bankers Association of America.

Mr. Wall named S.G. Frank Haas 3d the executive director of policy, a position formerly held by Robert Sahadi, who has joined the Federal National Mortgage Association.

Between 1983 and 1985, Mr. Boland was a deputy comptroller for industry and public affairs at the Office of the

Wall: Page 6 ➡

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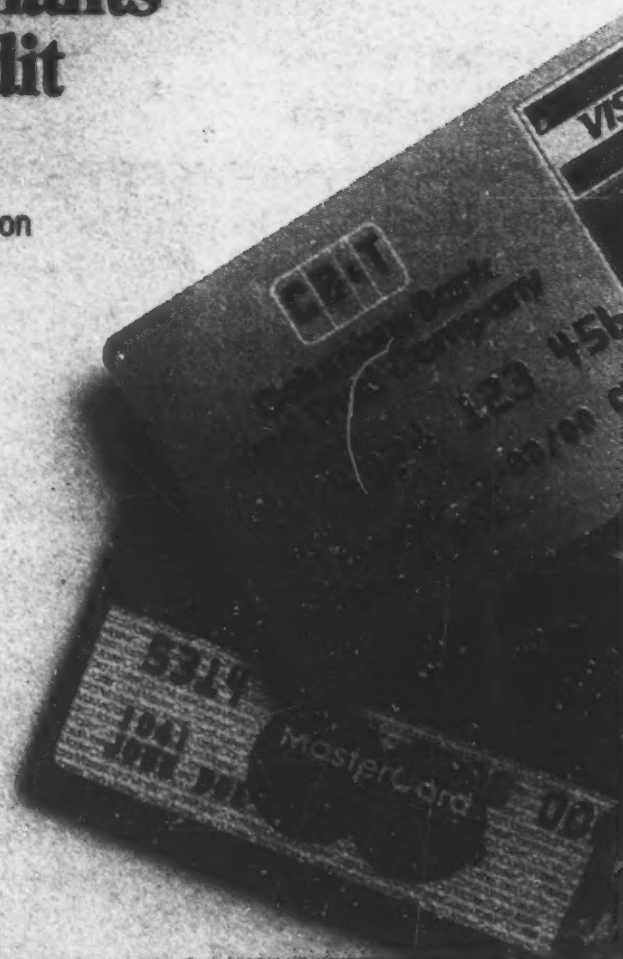
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IN THE NEWS

Loans Sour Fleet Earnings

PROVIDENCE, R.I. — Fleet Financial Group Inc. said second-quarter net earnings totaled \$19.2 million, or 35 cents per fully diluted share, down from \$32.8 million, or 60 cents per share, during the same period last year. Fleet said the earnings reflect a charge related to an increase in loan-loss reserves of \$40 million at Fleet National Bank. Fleet's Latin American loan-loss reserves total \$57.5 million, or 50% of its \$115 million in loans to the region.

Utility Hikes Bank Stake

TUCSON, Ariz. — Tucson Electric Power Co. said it increased its stake in Union Planters Corp. of Memphis to 16.4%. Tuscon Electric, which acquired 600,000 shares of Union Planters in January, said it bought an additional 400,000 shares for \$35.125 per share. The company had said it intended to buy up to 1.4 million shares. The company also owns 9.5% of the stock of Citadel Holding Corp., a savings and loan holding company, and 24.1% of Foothill Group Inc., a financial services company.

Peru to Resume Payments

LIMA, Peru — The government of Peru plans to resume debt payments to the World Bank and to take other measures to lure foreign investment, including payment of debt in goods, rather than cash, said Prime Minister Guillermo Larco Cox. Peru owes about \$14.7 billion to foreign creditors, many of them American banks. The World Bank halted disbursements to Peru on \$460 million worth of proposed projects May 5 after the country fell behind on \$55 million in interest payments. Peru is now negotiating for reduced payments.

SunTrust Earnings Up

ATLANTA — SunTrust Banks Inc. said it posted second-quarter net income of \$70.8 million, or 54 cents a share, compared with \$66.1 million, or 50 cents a share, for the same period last year. SunTrust said it sold to investors \$28 million of its Latin American loans during the quarter, reducing its total Latin loans outstanding to \$130.7 million.

Violence Plagues Banks

PANAMA CITY — Foreign bankers here boarded up their windows in anticipation of violent clashes between government and anti-government forces. The violence began in early June after the military government objected to opposition demands that strongman Gen. Manuel Antonio Noriega step down. The U.S. has accused Mr. Noriega's of election fraud and of ordering the 1985 murder of a key government critic. Windows of American businesses, like the Bank of America, were broken last week, and paint was thrown on at least two other U.S. banks.

Contel in Satellite Deal

ATLANTA — Contel Corp., an independent phone company based here, said its Contel ASC unit plans to acquire Equatorial Communications Co., a provider of satellite network services. Contel ASC will pay \$4 cash for each Equatorial share. Martin Marietta Corp. owns about 24% of the 14.9 million Equatorial shares. Contel provides digital communication services to businesses and government.

— Compiled by Don Munro

Study Shows Insider Loans May Signal Failure

Research Finds Many Loans to Bank Officials, Stockholders Portend Trouble

By JOHN P. FORDE

NEW YORK — Too many loans to insiders — including officers, directors, and major stockholders — are a major warning sign that a bank may eventually fail, a just-released study indicates.

The study of 9,080 banks was done by three University of Missouri professors. It found that institutions that lent to insiders amounts equal to more than 25% of their own financial base had a failure rate nearly four times higher than that of all banks.

Also, the five banks that had the highest insider loan ratios — meaning insider loans as a percentage of total equity at the end of 1986 — have all failed.

The study, which focused on banks with less than \$1 billion in assets, was done by Edward C. Lawrence, Donald R. Kummer, and Nasser Arshadi of the University of Missouri's St. Louis School of Business Administration. The professors based their research on call reports submitted by banks to the Federal Deposit Insurance Corp.

There were 31 failures in the first half of 1987 among the 1,171 banks in the study that reported loans to insiders equal to more than 25% of equity last year, the survey said. This would work out to a 5.2% annual failure rate, which is about 3.9 times higher than the failure rate for all banks in that asset category. The regions that posted the highest insider borrowings were Alaska and the District of Columbia.

The study described high numbers of insider loans more as an important sign of poor management than as an actual cause of failure. In most cases, the study found that banks with high insider borrowings have lower return on equity, greater risk, higher expenses, larger loan losses, and lower dividend payouts than banks that have lent less to insiders.

The authors of the report said that the lower dividend payout to shareholders could result from one of two factors, neither of which it directly endorsed.

One rationale was that the smaller institutions with high insider borrowing might have rather limited access to additional capital, so they hang onto their earnings.

The more cynical possibility was that insiders might avoid paying dividends to outside minority stockholders in favor of "low interest, unsecured loans to themselves along with higher salaries and more elaborate facilities" than are available at other banks, the study said.

Whatever the reason for the bank's management practice, the study concluded that "insider borrowing activity

Highest Levels of Insider Borrowing		
On Dec. 31, 1986		
	Assets (\$ Mil.)	Insider Loans /Equity
1 Southwestern Bank, Tex.*	\$ 18.2	30.2%
2 Commonwealth Bank, Colo.*	8.4	17.3
3 Peoples State Bank, Okla.*	20.2	6.4
4 Lake Austin National, Tex.*	48.7	6.1
5 First National Bank-Kingwood, Tex.*	16.4	6.0
6 Hilltop National Bank, Wyo.	83.4	5.3
7 First Sierra Bank, Calif.	23.2	4.4
8 National Bank of Commerce, Tex.	18.6	4.2
9 American National Bank-Grand Junction, Colo.*	7.7	4.0
10 Mountain Plaza National Bank, Wyo.	16.6	3.5
11 Louisiana Bank & Trust	29.3	3.3
12 Wilcrest National Bank, Tex.	36.5	3.2
13 South Denver National Bank, Colo.*	69.4	3.1
14 Premier Bank, Tex.	17.4	2.9
15 Kingsland National Bank, Tex.	19.3	2.8

* Failed in first 6 months of 1987.

Source: FDIC Call Reports

Insider Borrowing, by State

States with Largest Percentage of Banks with High Insider Borrowing on Dec. 31, 1986

	Banks with High Borrowing	Total Banks in State ¹	High Borrowing /Total Banks
1 Alaska	4	14	28.6%
2 District of Columbia	4	15	26.7
3 Nevada	3	13	23.1
4 New Mexico	19	92	20.6
5 Louisiana	55	286	19.2
6 Texas	347	1,921	18.1
7 Oklahoma	85	503	16.9
8 California	56	435	12.9
9 Colorado	58	455	12.7
10 Utah	6	53	11.3
Total	637	3,787	16.8

¹ Includes only banks with assets less than \$1.9 billion.

will be one of the primary predictors of continued bank failures and abuses," said Mr. Kummer in a press release.

The study cautioned that there is nothing inherently wrong with a bank lending to its own officers and directors. A bank will often place long-term customers on its board of directors to promote future business development. Also, top managers can be enticed to stay with a bank by fringe benefits that include loans.

However, it warned, lending more than 25% of a bank's equity base "can cause problems in managing assets." Traces of this management problem

can be seen on both the asset and liability sides of the balance sheet.

On the asset side, according to the study, these banks "have shifted funds out of Treasury and municipal securities into higher yielding loans (especially commercial loans)." While the institutions expect higher payoffs for this shift, they are also taking on higher credit risk with the loans than they would face with investment securities.

The effects of this increased credit risk on banks' earnings are worsened by funding pressures. The study found that the institutions lack a stable core

Many Insider: Page 10 ➔

Former Chairman of Bohemian Savings Indicted

Special to the American Banker

ST. LOUIS — John V. Capozzi, former chairman of Bohemian Savings and Loan Association here, was indicted this week on charges that he arranged a complex financing scheme to buy Bohemian with its own money.

Mr. Capozzi, who lives in Pembroke Pines, Fla., was indicted on 15 counts of conspiracy, wire fraud, mail fraud, and conflict of interest.

He said after the indictments were unsealed Monday that the charges are "false and unfounded." He is free on \$25,000 bond.

Mr. Capozzi bought Bohemian, which was insolvent, in 1983 with \$2.5 million in cash assistance from the Federal Savings and Loan Insurance Corp. In addition, the FSLIC loaned Bohemian \$5.4 million.

Last year, the FSLIC again declared Bohemian insolvent, and put the thrift in its management-consignment program.

The indictment alleges that when he purchased Bohemian, Mr. Capozzi arranged for the thrift to buy properties from him at inflated values. When Bohemian bought

an undeveloped tract in Miramar, Fla., for \$2.64 million in 1984, Mr. Capozzi made a profit of more than \$2.1 million.

He is accused of conspiring to conceal his ownership of the property from federal regulators.

Another count of the indictment accuses Mr. Capozzi of receiving, in the form of a kickback, \$198,000 of a \$200,000 commission that Bohemian paid to buy an apartment complex in Hollywood, Fla.

Prosecutors claim Mr. Capozzi used the alleged kickback and the profits on property sales to help finance his purchase of Bohemian.

The Federal Home Loan Bank Board removed Mr. Capozzi as chairman in 1985. The FSLIC has filed a suit seeking to recover \$75 million allegedly misappropriated by Mr. Capozzi and other officers of Bohemian.

Bohemian, with assets of about \$200 million, remains open. It is currently being run by Farm & Home Savings Association, under the management-consignment program.

Financial Firms Changed Names at Record Pace

Continued from Page 1

"straight or elective," which usually signals a new strategy or corrects a negative impression, according to Tony Spaeth, an Anspach Grossman Portugal principal.

These included minor alterations such as Barnett Banks of Florida Inc. dropping the words "of Florida" from its title; and well-publicized image enhancements such as Maryland National Corp.'s change to MNC Financial Inc., and United Virginia Bankshares Inc.'s change to Crestar Financial Corp.

Across all industries, straight name changes rose by 27% to 150 and included American Can Co.'s conversion to Primerica Inc. and UAL Inc.'s controversial move to Allegis Corp.

Corporate divestitures — now in the offing for Allegis and many other companies — have become increasingly common as a reason for name changing. Divestiture was cited in 68 cases so far this year, up from 18 in the first half of 1986.

"The combined total of name changes reflecting divestitures, sales of assets, or spin-offs increased 127% to 152, from 67," Mr. Anspach said. "A lot of corporate simplifying, clarifying, and cleaning house is taking place."

These reasons were less important in bank name changes. Only two were ascribed to divestitures, two to asset sales, one to a change in holding company status, and seven to "other changes in legal status," Mr. Spaeth said.

The financial industry as a whole — including banks, thrifts, and nonbank providers — have led all others in the Anspach Grossman Portugal standing

Some Financial Industry Name Changes

During First Half of 1987

From...	To...
American Can Co.	Primerica Corp.
AZP Group Inc.	Pinnacle West Capital Corp.
Barnett Banks of Florida Inc.	Barnett Banks Inc.
Brockton (Mass.) Savings Bank	Southstate Bank for Savings
Galaxy Reinsurance Co.	Galaxy Insurance Co.
Germania (Ill.) Savings & Loan Association	GermaniaBank
Great Western Savings (Calif.)	Great Western Bank
Maryland National Corp.	MNC Financial Inc.
RepublicBank Corp.	First RepublicBank Corp.
United Virginia Bankshares Inc.	Crestar Financial Corp.
Zions Utah Bancorp.	Zions Bancorp.

Source: Anspach Grossman Portugal

for 13 years, but manufacturing and industrial companies closed the gap in 1987.

The manufacturing sector registered 253 name changes between January and June, 19 fewer than in banking and financial services. The gap was four times as wide in the first half of 1986 when financial companies led by 208 to 131.

Also in the first six months of this year, 66 communications firms, 54 technology companies, and 51 in the food and restaurant industry changed their names. No other industry classification had more than 50 name changes, according to Anspach Grossman Portugal.

The 919 name changes nationwide over six months equaled two-thirds of the 1,382 that the firm counted in all of 1986. The financial industry's six-

month total of 272 was 63% of its 433 last year.

Mr. Anspach expressed surprise at the continuing rush to change corporate names. "We thought this trend might have peaked in 1986, but clearly that isn't so. Name changes for the first half of 1987 alone are greater than the 871 changes for the entire year of 1984," he pointed out.

Although he makes his living helping corporations change their names and images, Mr. Anspach warned that the practice may be getting out of hand. "There are so many changes that any one change now might lose its impact. You have to ask whether some companies want to do it just to be copycats."

"Some firms may be better off if they didn't change their name but revised their identity system to overcome its

Financial: Page 11

Many Insider Loans Can Signal Failure

Continued from Page 3

of deposits to support their aggressive investments.

Because of this, these institutions appear to be dependent on volatile and relatively expensive purchased liabilities to fund their assets. The study pointed out that large negotiable certificates of deposit represent almost 16% of deposits for the high lending groups but only 10% of deposits for the banks with lower insider borrowing ratios.

The study concluded that while banks that have relatively high insider borrowing have adequate capitalization — they averaged total capital equal to 7.4% of their assets — they probably could not "absorb large losses in an economic downturn."

The study concluded that more public scrutiny should be focused on the problems of insider borrowing. It said, however, that the "challenging task is to determine what set of conditions would be required before a particular case becomes abusive."

The authors also laid a groundwork of some proposals upon which regulations might be built. They suggested, for example, that restricting insider loans to between 5% to 10% might be suitable. Closer scrutiny by examiners and stockholders of insider loans was also suggested, and the study said that those abusers of insider borrowing should be subject to fines and jail sentences.

Strategic Dates

Jan. 1, 1991

CALIFORNIA TRIGGER: Full interstate banking in California is scheduled to go into effect on this date.

LEGAL ADVERTISING

Auction Notices

NOTICE IS HEREBY GIVEN, that by virtue of a default in payment on a certain Security Agreement in the nature of a Chattel Mortgage under THE UNIFORM COMMERCIAL CODE, entered into by and between COARSE SERVICE, INC. & JOSEPH REANI as Debtor, and Melrose Credit Union, as Secured Party, dated March 19, 1987 duly filed and recorded covering a 1983 Chevrolet Taxicab ID #2G1AL699OD1266055, Medallion #1H84 & a 1985 Chevrolet Taxicab ID #1G1BL69Z5FY193883, Medallion #2H77 & Radio Roof Lights & 200 shares of the capital stock of Coarse Service, Inc. THE UNDERSIGNED will foreclose and sell at Public Auction on Thursday, July 9, 1987 at 10:30 A.M. at the offices of Melrose Credit Union, 41-13 Kissena Boulevard, Flushing, New York The 1983 Chevrolet Taxicab ID #2G1AL699OD1266055, Medallion #1H84 & 1985 Chevrolet Taxicab ID #1G1BL69Z5FY193883, Medallion #2H77 & Radio Roof Lights & 200 shares of the capital stock of Coarse Service Inc. The secured party reserves the right to bid and buy. Michael Gilhooly, Auctioneer as Agent, 804 54th Street, Brooklyn, New York 11220. Samuel R. Buxbaum Attorney for Secured Party, 41 East 42nd Street, New York, New York 10017. DCA #693772.

Steven Ross aucr Lic #823718 sells 7/21/87 at 9 AM at 5604 Bdway, Bx '79 Chrysler TP42K9A184488 Re: W. Osborn, at 9:30 AM at 1963 Jerome Ave. Bx, '70 M/B 11102410003135 Re: C. Lucci, at 10 AM at 500 Baychester Ave. Bx, '79 Chev 1B0809A125728 Re: G. Wilson, at 10:30 AM at 58-01 Queens Blvd, Queens '83 Pontiac 1G2AS8713DN223061 Re: NER Auction Systems, at 11 AM at 154-23 Riverside Dr. Whitestone '86 Island Trader ETY46142K586 Re: V. Macias, at 11:30 AM at 32-29 106th St Queens '86 Toyota JT2MA67L3G0176416 Re: R. Benner, at 12 PM at 336-344 Jericho Turnpike, Mineola '86 Honda JH2MF0104GK101711 Re: C. Marrero & Norstar Bank, at 1 PM 505 E. 116th St. NYC '81 BMW WBAAG3305B9011428 Re: Pride Recording. Published 7/9 & 7/16/87.

American Changed Image for Regional Market

By JEFFREY KUTLER

NEW YORK — The recently announced interstate acquisition of Delaware Trust Co. might have been out of character for American Bank and Trust Co. of Pennsylvania in Reading, but it was right on target for Meridian Bancorp.

Meridian Bancorp is, in fact, American Bank and Trust Co., but with a revamped image that reflects an ambitious growth strategy.

Along with hundreds of banks and other corporations — more than 900 in the first six months of 1987 — Meridian decided to drop a locally prominent name in 1983 to redefine itself in a broader marketplace.

The old name, American Bank, was too common for an institution that sought to distinguish itself as a fast-growing regional bank. At least 30 other banks in the country have American in their name.

Even before American merged with Philadelphia-based Central Penn National Bank in 1983, management realized something should be done about the name and what it communicated to customers, employees, and shareholders.

"At the time, we were a \$2 billion country holding company acquiring a \$1 billion bank in a major city," recalled Samuel A. McCullough, president and chief executive officer. "The company name was a critical aspect of our negotiations in 1982 and 1983."

Meridian Bancorp added the First National Bank of Allentown, Pa., in 1984. By the time it agreed to buy Delaware Trust Co., the new identity was so well ensconced it needed no further explanation.

At the end of 1986, Meridian had \$6.8 billion in assets, making it the 72d largest holding company in the nation. Assets of \$1.1 billion are to be added with the Delaware Trust deal.

Meridian's 1986 return on average assets was 1.09%, its return on shareholders' equity 15.57%. Both ratios

were among the best in its peer group.

"We think we can grow to assets of \$10 billion to \$12 billion, just in the territory we are in, without major acquisitions," Mr. McCullough said before he closed the Delaware Trust agreement in May.

To people removed from the mid-Atlantic banking scene, Meridian's quiet rise to prominence and profitability was barely noticed. To those who know the region, which includes such top performers as PNC Financial Corp. of Pittsburgh and CoreStates Financial Corp. of Philadelphia, Meridian's new identity and marketing programs appear to be a natural progression.

That quiet evolution is exactly what Edwin F. Lefkowitz, the bank's corporate identity consultant, sought. Mr. Lefkowitz heads Lefkowitz Inc., New York, which recently helped convert United Virginia Bankshares Inc. into Crestar Financial Corp.

"The change to Meridian was meant to be evolutionary," he said recently, "not revolutionary in the sense that it might be too jarring."

Although they unveiled the Meridian name and logo when the Central Penn merger took effect in 1983, each bank retained its own name and did not fully raise the Meridian banner for three years. They gradually changed the color scheme, put a common name on 130 automated teller machines (Meridian Card Centers), and finally put Meridian signs on all 150 branch offices and subsidiaries by 1986.

Mr. Lefkowitz began working with Mr. McCullough and his management team in 1981, anticipating statewide banking in Pennsylvania and the reciprocal interstate expansion laws that were to follow. Mr. Lefkowitz said Meridian's name change was so successful because it had top management's unqualified backing and it was integrated into well-conceived corporate goals and marketing strategies.

"You need the enthusiasm and sup-

port of the chief executive officer," Mr. Lefkowitz said. "But to have his direct involvement, as we had with Sam McCullough, is a big plus, and that is rare."

"Too many corporate communication programs are implemented after the fact, after a decision is made," the consultant added. "This was one of the few programs of its type that was planned ahead. It is much more efficient that way."

Fashioning an Image

Mr. McCullough, who has been at the helm since 1978, got personally involved in the image change. He helped weed out potential names — from a pool of 1,000 possibilities — and is appearing in Meridian's print, radio, and television advertising.

The tag line — "professionals with the personal touch" — comes directly from Mr. McCullough.

"I have always thought strongly about the image of a company and its people," he explained in an interview. "Professional is the word that we have tried hardest to sell inside, to our people, so it works outside."

The transformation of image has paid off handsomely, he reports. "Market research shows that recognition of us and our name, ad recall, institutional awareness, and intentions to purchase our services have moved up dramatically," Mr. McCullough said.

"People I meet want to talk about our ad campaigns. They are singing the jingles. I like to hear talk like that."

Like others involved in corporate identity changes, Mr. Lefkowitz says little about the selection process or the alternatives that were rejected. Meridian, which is geographically open-ended, filled the bill.

"If you have to explain what it means," Mr. Lefkowitz said, "it ain't working."